

KENTUCKY

TEACHERS' RETIREMENT SYSTEM

RETIRED MEMBER
EDITION



FEBRUARY/MARCH
2010

Medicare Eligible Health Plan (MEHP) for Retirees Age 65 & Over as of July 1, 2010

As mentioned in the December 2009 edition of the KTRS Newsletter, KTRS expects the KTRS MEHP to take advantage of some cost containment opportunities by moving to a Medicare Advantage Preferred Provider Organization (PPO) with Humana and an Employer Group Waiver Program (EGWP) Medicare Prescription Drug Plan with Medco.

Effective July 1, 2010, both the medical and prescription portions of the MEHP will be fully insured. In other words, KTRS will begin paying monthly premiums to Humana and Medco instead of paying actual claims costs. Cost containment initiatives such as these do not shift costs to our retirees or the KTRS medical insurance fund, but help maintain the retiree health benefit. The Employer Group Waiver Program Medicare Prescription Drug Plan with Medco has brought a significant reduction in

the actuarial unfunded liability for the KTRS medical insurance fund.

It is important to point out what stays the same ...

- Still, no medical provider network required.
- No change in deductibles, or annual out of pocket maximums.
- No change in plan design elements.
- No change in copayment and coinsurance structure.
- Remain in Medicare program.
- Still have same Medicare rights and protections.
- Still get regular Medicare covered services.
- Still required to pay your monthly Medicare Part B premiums.

"MEHP" continued on page 2 ...

Explanation of Federal Government Increase in Medicare Part B Premium

The KTRS staff has been asked this question quite a bit in the last month. Based on information obtained at www.Medicare.gov, it was found that some Medicare beneficiaries will continue to pay the same \$96.40 Part B premium amount in 2010. This is determined by several factors. Beneficiaries who currently have the Social Security Administration (SSA) withhold their Part B premium from their Social Security benefit and have incomes of \$85,000 or less (or \$170,000 or less for joint filers) will not have an increase in their Part B premium for 2010.

For all others, the standard Medicare Part B monthly premium will be \$110.50 in 2010, which is a 15% increase over the 2009 premium. The Medicare Part B premium is

*"Medicare Part B Premium"
continued from page 5 ...*

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It is important to anticipate your questions ...

What do you need to do to continue your MEHP coverage on July 1, 2010? Nothing other than maintaining your enrollment in Medicare. For those currently participating in the KTRS MEHP you will automatically be enrolled. You will not have to complete a paper application. Other educational materials will be mailed in late spring.

Will my premium change? No, these changes were anticipated when the 2010 rates were determined.

Will I get new ID cards? Yes, you should expect to receive new Humana and Medco ID cards before July 1, 2010.

What do I do with my old insurance cards? Continue to use your current Humana and Medco cards until June 30, 2010. After then, please destroy all of your old Humana and Medco ID cards because they will not be valid.

Should I be concerned whether my doctor accepts Humana's Medicare Advantage PPO? Your provider may require some communication and education efforts about this plan. There are provider networks associated with this plan, but this is a passive PPO plan, and retirees are not required to use network providers. You can choose to receive care from a network provider or you may choose an out-of-network provider who agrees to accept both Medicare and Humana's payment terms. Regardless of your choice, your share of the

Important Information for All KTRS Members Regarding Retiree Healthcare

Watch your mailboxes for a Special Edition Newsletter in March! The KTRS team has worked with all stakeholders and the Commonwealth of Kentucky to create a shared responsibility solution that will protect KTRS retiree healthcare into the future. Its acceptance will require legislative approval. More important details to come in the special edition. We look forward to informing you about and obtaining your support for this tremendous outcome.

cost is the same after July 1, 2010. You will also be sent a directory of network providers within your geographic area of residence.

What do I do if my doctors say they won't accept my Medicare Advantage plan?

1. Identify yourself as a KTRS retiree/plan member.
2. Confirm with the provider that they take Medicare and Humana's payment terms.
3. Inform the provider that the plan has the same level of coverage on July 1 regardless if they are in or out of Humana's network.
4. Ask the provider to call Humana's customer service department at the number on the back of your ID card to work with this provider regarding acceptance.

Who are Humana network providers? They are hospitals, physicians, clinics and labs who believe in offering efficient, cost-effective, coordinated care. Providers who apply for Humana's network go through a qualification process, where Humana confirms their academic backgrounds and licensing status.

Why do providers join Humana's network? Provider reimbursements under Medicare Advantage are the same, regardless of network affiliation. Providers want to be part of the Humana PPO Network for other important reasons:

- Humana network providers recommend each other to patients, in part because they know they share the same philosophy of providing efficient, cost-effective, coordinated care.
- They see value in Humana's administrative and provider systems, which are designed to make it easier and quicker for them to file claims and receive payments.
- They appreciate the educational and training opportunities Humana offers providers and their staff.

Am I going to experience differences in prescription costs between formulary tiers? There could be a minimal amount of preferred and nonpreferred formulary differences and tier to tier costs differences, but the current plan already experiences quarterly formulary changes.

Will I be able to obtain my prescriptions at the same pharmacies? There should be no disruption in pharmacies. Most major chain pharmacies will accept your Medco prescription card.

2009 TAX YEAR INFORMATION

KTRS mailed the 1099R tax forms during the last week of January 2010. The tax statement contains confidential information and can only be mailed to the member's address currently on record with KTRS. For your privacy and protection, the member, power of attorney, or beneficiary, must submit a written request to KTRS in order to send the 1099R form to an address that is different from the one currently on record with KTRS. The written request may be mailed to KTRS, or faxed to (502) 573-0254. This special request will not change your permanent address record unless you specifically request that it be changed. You may also visit the KTRS Website at www.ktrs.ky.gov for additional information and forms, including the change of address forms.

To request a duplicate for a lost 1099R form, please call 1-800-618-1687. The KTRS Call Center staff will verify your correct name and address for mailing the duplicate form and for the permanent record file.



Need to call someone?

KTRS 502-848-8500
 Toll Free 800-618-1687
 KERS 502-696-8800
 Toll Free 800-928-4646
 Deferred Compensation 502-573-7925
 Toll Free 800-542-2667
 KY Revenue
 Cabinet 502-564-4581
 IRS 800-829-1040

THE EASY EXPLANATION

BOX 1

Shows your total KTRS pension benefit prior to withholdings.

**BOX 1 (less)
 BOX 2a= BOX 5**

BOX 2a

Shows the taxable portion of your benefit. If blank, box 2b "Taxable Amount Not Determined" should be marked. In this case, please see your tax advisor.

BOX 5

Shows the nontaxable portion of the total. This amount is **NOT** reported anywhere on your tax return. It is an 'information only' box.

BOX 9b

This box will only show an amount in the first year of retirement. It provides the total amount of previously taxed contributions.

Form 1099R 2008		OMB No. 1545-0119 Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. This information is being furnished to the Internal Revenue Service.		Payer's Federal ID Number		STATE COPY 1 - File with Recipient's STATE Tax Return	
Recipient Information		1 Gross Distribution BOX 1		2a Taxable Amount BOX 2a		2b Taxable Amount <input type="checkbox"/> Total Distribution <input type="checkbox"/>	
		3 Amount in Box 2a Eligible for Capital Gain Section		4 Federal Income Tax Withheld		5 Employee Contributions BOX 5	
Recipient Identification Number		6 Net unrealized appreciation in employer's securities		7 Distribution Code IRA/SEP Simple <input type="checkbox"/>		8 Other	
Payer's Full Name and Address KENTUCKY TEACHERS' RETIREMENT SYSTEM 479 VERSAILLES ROAD FRANKFORT KY 40601-3800		9a Your Percentage of Total Distribution		9b Total Emp. Contribution BOX 9b		10 State Tax Withheld	
		11 State/Payer's State Number KY 077156		12 State Distribution		State Taxable Percentage %	

BOXES 10 - 13 Shows the state tax information. KTRS does not withhold state taxes. Only pension income attributable to service credit earned after January 1, 1998, is subject to **Kentucky** state taxes. Outside Kentucky, your resident state tax regulations apply.

KENTUCKY STATE TAX LAWS

The good news is that when calculating your Kentucky state income tax liability, there is a \$41,110 EXCLUSION for total state taxable pension income on the Form 740 Kentucky Income Tax Return. Your Form 740 begins with the federal adjusted gross income (AGI). Schedule M of the KY state return allows adjustments to the federal AGI. Schedule P of the KY state return is NOT always required; it reports pension income in more detail. You may want to take this newsletter to your tax preparer.

You must compute the state taxable amount. Multiply the state taxable percentage (next to box 12) by the federal taxable amount in box 2a to arrive at the state taxable amount. **DON'T FORGET TO APPLY THE KENTUCKY PENSION INCOME EXCLUSION AGAINST THE STATE TAXABLE AMOUNT.**

Kentucky Tax Form 740 - Schedule M

Add all your 1099R, Box 2a,
FEDERAL taxable amounts.

IF THE TOTAL IS UNDER \$41,110 YOU DO NOT HAVE TO FILL OUT KY 740 - SCHEDULE P. Just subtract the amount from the federal AGI by entering the amount on Part II, line 11. Therefore, you do not owe any state taxes on pensions.

IF THE TOTAL IS OVER \$41,110 YOU MUST FILL OUT KY 740 - SCHEDULE P. Even if you are required to fill out a KY 740 - Schedule P, most retired teachers still do not owe any Kentucky state taxes.

Kentucky Tax Form 740 - Schedule P

Add all your 1099R, STATE taxable amounts. Enter the total on Part II of Schedule P.

IF THE TOTAL IS UNDER \$41,110 YOU DO NOT OWE ANY KENTUCKY STATE INCOME TAX ON PENSIONS. Follow instructions on completing the schedule.

IF THE TOTAL IS OVER \$41,110 YOU OWE KY STATE TAXES ON THE AMOUNT ABOVE THE EXCLUSION AMOUNT. Again, follow instructions on completing the schedule.

CAUTION:

*Computing a Kentucky state taxable amount does not mean you owe Kentucky state taxes!!

*The requirement to prepare KY 740 - Schedule P does not mean you owe state taxes!

Retired Prior to January 1, 1998	Retired After January 1, 1998 TOTAL FEDERAL RETIREMENT INCOME LESS THAN \$41,110	Retired After January 1, 1998 TOTAL RETIREMENT INCOME ■ MORE THAN \$41,110
KTRS remains as KY STATE NONTAXABLE income. If you receive more than \$41,110 federal taxable pension income you still must prepare KY 740 - Schedule P.	If total federal taxable income is less than \$41,110 then all pension income is KY STATE NONTAXABLE income.	You must fill out KY 740 - Schedule P on your State Income Tax Return. Follow the instructions. Your 1099R will have the information needed to complete the KY 740 - Schedule P.

increasing in 2010 due to possible increases in Part B costs. If your income is above \$85,000 (single) or \$170,000 (married couple), then your Medicare Part B premium may be higher than \$110.50 per month. For additional details, see FAQ titled: [2010 Part B Premium Amounts for Persons with Higher Income Levels](#) found at www.Medicare.gov.

In 2010:

- New Part B beneficiaries will pay \$110.50 (because they did not have the premium withheld from their Social Security benefit in the previous year).
- Beneficiaries who do not currently have the Part B premium withheld from their Social Security benefit will pay \$110.50.
- Higher-income beneficiaries pay \$110.50 plus an additional amount, based on the income-related monthly adjustment amount (IRMAA).

Paying your Part B premium to Social Security is a requirement to be enrolled in the KTRS Medicare Eligible Health Plan (MEHP). If your Part B coverage lapses due to nonpayment of premiums, your KTRS MEHP, both medical and prescription, will be terminated. Please keep in mind that insurance coverage is through the retiree. If the retiree's coverage is terminated and the spouse is also covered, the spouse will also be terminated.

If you are billed quarterly for the Part B premium, please contact Medicare to enroll in the electronic payment option known as Medicare Easy Pay. This payment option allows you to have your Medicare premiums automatically deducted from either your savings or checking account each month. For questions about Medicare Easy Pay, call 1-800-MEDICARE (1-800-633-4227). To verify the above information or for questions about your Part B premium payments, call your local Social Security office.

MEHP/SSA Personal Information Must Match!

If you are enrolled in the KTRS Medicare Eligible Health Plan (MEHP), all of your information at KTRS must match the information on file for you at the Social Security Administration. Medicare obtains your information from Social Security and if your information at KTRS does not match, your enrollment into the MEHP could be rejected by Medicare. Therefore, it is very important that your name, including your middle initial, date of birth, and even your address at KTRS match Social Security's information.

If this office receives information from Medicare regarding a discrepancy, KTRS will change our records to match those of Medicare and Social Security in order to maintain your health insurance. If Social Security has incorrect personal information for you, please contact them at 1-800-772-1213 or go to your local Social Security office to submit documentation to correct their records. Based on information found on Social Security's Website, you can also change your address online by obtaining a password.

If you have a password with Social Security, you can:

- Check your information and benefits. See the direct deposit, Medicare and payment information Social Security has on file for you.
- Change your address or telephone number;
- Start or change direct deposit;
- Change your password or block electronic access to your personal information; and
- Choose your password. If you received a letter from Social Security about password services, you can choose your password or block password access to your personal information.

Need a password?

If you don't have a password (or you lost or forgot your password) you may request a password online at www.ssa.gov or you may call the Social Security office at 1-800-772-1213 (TTY 1-800-325-0778) and they will mail you a code (called a password request code) that you can use to create and activate a password.



Are You Turning Age 65 in 2010?

If you are currently enrolled in medical coverage through KTRS, you will receive an informational mailing from this office approximately 5 months before your 65th birthday. This mailing will include benefit booklets in addition to informing you that if you wish to continue KTRS coverage when you turn age 65, you must contact your local Social Security Administration approximately three months prior to turning 65 to enroll in Medicare Part B. If you do not submit proof of Part B enrollment to the KTRS office prior to the first day of your birth month, you will not be enrolled in the KTRS Medicare Eligible Health Plan (MEHP). There is a monthly Part B premium to be paid to Social Security (see "Why did my Medicare Part B premium increase in 2010" article).

Most people automatically receive Part A coverage without having to pay a monthly premium to Social Security. This is because they or a spouse paid Medicare taxes while working. If you do not automatically receive Part A at zero cost, you are not required to purchase it, and the KTRS plan will pay as Medicare would have paid on Part A expenses, excluding the MEHP deductibles and copayments. When you contact Social Security to enroll in Medicare, please make sure they check to see if you qualify for Part A free not only through your Social Security and/or Medicare tax payments but also through your spouse's. You could also qualify through an ex-spouse's Social Security.

Please note that Medicare rules will not allow you to be enrolled in two Medicare Advantage plans or two Medicare Part D prescription drug plans at the same time. If you enroll in either outside of KTRS, your KTRS coverage will be terminated.

If you have any questions you can access the informational letter and current plan documents through the KTRS website at www.ktrs.ky.gov or contact our office at 1-800-618-1687.



National Health Care Reform

While the details of reform are in flux until there is one bill, it is likely the focus will be on those who do not currently have health insurance coverage. For entities like KTRS, the government will expect retirement systems to continue providing coverage to retirees. The impact for KTRS will probably be around long-term cost reductions in the national health care system. Over time, this could lower health care trend rates that impact KTRS's health care plan premiums. Any federal revenue streams that involve new excise taxes could increase KTRS's health care plan premiums.

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